

TOA Provisions on Ancillary Services

The provision of Ancillary Services (AS) by RTO West and the provision of Interconnected Operations Services (IOS) by participating transmission owners are covered in Section 7 of the Transmission Operating Agreement (TOA). In Summary, the TOA provisions allow for the following:

- 7.1 The RTO can procure IOS for up to a 90-day period “if there is no competitive market...”
- 7.3.1 Existing Transmission Owners (ETOs) have the right to self-provide, self-track and sell IOS to third parties.
- 7.3.2 For the first twelve months of operations the RTO has a limited right to secure IOS from the ETO.
- 7.3.3 The RTO will be the provider of last resort for Ancillary Services
- 7.3.4 To the extent they are available, the RTO can request IOS bids from ETOs to cover short-term deficiencies in the day-ahead and hour-ahead markets.

Each of these provisions has the potential to impact the IOS markets and the level of Ancillary Services provided from the RTO. They may also interact with each other, particularly the ETO obligation to provide IOS.

- How do we incorporate an obligation on the ETOs while still encouraging forward markets and liquidity?
- How will ETO obligations impact the pricing mechanism for the RTO’s market of last resort?
- How will the ETO obligation be integrated with the self provision and self tracking efforts of an ETO SC?
- How will the ETO Obligation mesh with the RTO’s ability to contract for up to 90 days of IOS?
- What products does the RTO have a right to obtain and the ETO an obligation to provide?
- Should any of the ETO provisions apply to generators in general rather than specifically to ETOs?

Appendix D from the Ancillary Services Work Group provides definitions and an overview of AS and IOS products; covering issues such as the technical requirements for AS, the RTO's procurement of IOS, the compensation to providers of IOS, charges for RTO-provided AS, and penalties for load deviations etc. While Appendix D attempts to cover compensation and charges for AS in both the “normal” markets and short term emergencies it does not address either the twelve month obligation or the 90-day procurement of IOS.

TOA

7. Ancillary Services.

7.1 Provision of Ancillary Services by RTO West. Through contracts with the Executing Transmission Owner or with third party providers of Interconnected Operations Services, RTO West shall acquire Interconnected Operations Services and provide Ancillary Services, on a prescheduled day-ahead or hour-ahead basis only, for Ancillary Services requested from RTO West in connection with the provision of Transmission Services. However, (1) if there is no competitive market for Interconnected Operations Services, RTO West may arrange to acquire Interconnected Operations Services and to provide Ancillary Services, each for periods longer than one day, so long as such arrangements do not extend more than ninety (90) days from the date such arrangements are made; (2) RTO West shall be the sole provider of Scheduling, System Control and Dispatch Services as set forth in the RTO West Tariff and (3) RTO West, through contracts with the Executing Transmission Owner or with third-party providers, may acquire and provide Black Start Service and Voltage Support Service on other than a prescheduled day-ahead or hour-ahead basis.

7.3 Provision of Interconnected Operations Services by the Executing Transmission Owner.

7.3.1 Right of the Executing Transmission Owner To Self-Provision, to Self-Tracking and to Provide Interconnected Operations Services to Third Parties. The Executing Transmission Owner reserves the right after the Transmission Service Commencement Date to Self-Provision, Self-Tracking and to provide to third parties through bilateral agreements any Interconnected Operations Service that the Executing Transmission Owner is permitted by the FERC to provide. Self-Provision and Self-Tracking arrangements shall meet applicable RTO West reliability criteria and RTO West Tariff requirements. The Executing Transmission Owner shall provide any information concerning such arrangements that RTO West determines necessary to demonstrate such compliance.

7.3.2 Executing Transmission Owner Obligation to Provide Interconnected Operations Services. For a period not to exceed twelve (12) months after the Transmission Service Commencement Date, and upon reasonable notice to the Executing Transmission Owner, RTO West shall have the right to obtain Interconnected Operations Services from the Executing Transmission Owner, or if the Executing Transmission Owner so arranges from any predecessor or successor Electric Utility owners of the Transmission Facilities, pursuant to FERC-approved tariffs. Such right shall be limited to those Interconnected Operations Services needed by RTO West to supply the type and amount of Ancillary Services provided by the Executing Transmission Owner or by any predecessor or successor Electric Utility owners of the Transmission Facilities under FERC Order 888 over the twelve (12) months prior to the Transmission Service Commencement Date.

7.3.3 Assuring RTO West Responsibility to Provide Ancillary Services. If any Eligible Customer seeks to compel the Executing Transmission Owner to provide any Ancillary Service, and the Executing Transmission Owner objects to providing such Ancillary Service, RTO West shall cooperate with the Executing Transmission Owner's efforts to assure that RTO West, rather than the Executing Transmission Owner, provide such Ancillary Service. If the Executing Transmission Owner is ordered by the FERC or by a court of competent jurisdiction to provide such Ancillary Service, RTO West, pursuant to the RTO West Tariff,

shall provide to the Executing Transmission Owner Ancillary Services as needed for the Executing Transmission Owner to comply with all such applicable orders.

7.3.4 Backup Provision of Interconnected Operations Services by the Executing Transmission Owner to RTO West. RTO West shall solicit bids for Interconnected Operations Services. If RTO West determines it is unable to secure sufficient amounts of Interconnected Operations Services pursuant to voluntary bids prior to the day-ahead and hour-ahead markets, the Executing Transmission Owner shall upon RTO West's direction submit a bid to provide Interconnected Operations Services in any hour, to the extent that the Executing Transmission Owner is capable of providing such Interconnected Operations Services. To the extent practicable, RTO West shall require the submission of bids from the Executing Transmission Owner and from Participating Transmission Owners on a not unduly discriminatory or preferential basis.

Appendix D

D.8.1.1 Capacity Payments for Resources Supplied to the RTO for Regulation, Load Following Up, Load Following Down, Spinning Reserve, Non-Spinning Reserve and Replacement Reserve Services...

...c) An SC that provides an Ancillary Service resource to the RTO on an involuntary basis in the event of a System Insufficiency or a System Emergency pursuant to Section C.8 or C.9 shall be paid the amount (in MW) of capacity made available to the RTO by the SC, multiplied by the higher of: (i) the Demonstrable Cost (in \$/MW) imposed upon the SC by the obligation to make the resource available to the RTO; or (ii) the Market Clearing Price of the Ancillary Service for the Settlement Period, as determined in the Day-Ahead Scheduling Process; capped by (iii) any contractual or regulatory-imposed cap on the price that the SC may charge for capacity from the resource.

D.8.2.1 Payments for Balancing Energy Associated with Dispatch of Ancillary Service Resources...

... c) If an SC is required to provide Ancillary Service resources to the RTO on an involuntary basis in the event of a System Emergency or a System Insufficiency:

i) For each ten-minute interval within the Settlement Period, payment to the SC for incremental energy supplied to the RTO shall equal the quantity of energy delivered to the RTO by the SC (in MWh) multiplied by the higher of the SC's Demonstrable Cost or the Balancing Energy Clearing Price for the Zone and the interval.

ii) For each ten-minute interval within the Settlement Period, payment by an SC to the RTO for decremental energy supplied by the RTO shall equal the quantity of energy delivered to the SC by the RTO (in MWh) multiplied by the lower of the SC's Demonstrable Cost or the Balancing Energy Clearing Price for the Zone and the interval.

D.8.2.2 Payment for Energy for Intra-Zonal Congestion Management

An SC's resources may be incremented or decremented, voluntarily or involuntarily, for residual Congestion management in accordance with Appendices A and C...

... iii) If necessary to mitigate the exercise of local market power by SCs in the provision of redispatch services, the RTO may, upon approval of the RTO Board and the Commission and notice to market participants via the RTO Website, substitute Demonstrable Cost-based price caps or floors for SCs' incremental or decremental Congestion Redispatch energy bid prices, Supplemental Energy bid prices or Load Following energy bid prices, when such bids are used for the purpose of residual Congestion management.